

**BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COLUMBIA, SOUTH CAROLINA**

HEARING #21-11968

DECEMBER 7, 2021

2:00 P.M.

ND-2021-40-EG:

PIEDMONT NATURAL GAS COMPANY — *Allowable Ex Parte Briefing Regarding the Effect of Cost of Gas on Utility Natural Gas Prices and Electricity Prices and Its Impact on Customers*

**ALLOWABLE EX PARTE
BRIEFING**

COMMISSION MEMBERS PRESENT: Justin T. WILLIAMS, CHAIRMAN
Florence P. BELSER, VICE CHAIR; *and* COMMISSIONERS Carolyn L.
'Carolee' WILLIAMS, Stephen M. 'Mike' CASTON, Thomas J.
'Tom' ERVIN^[A/V], Headen B. THOMAS, and Delton W. POWERS, JR.

ADVISOR TO COMMISSION: F. David Butler
SPECIAL COUNSEL

STAFF PRESENT: Jocelyn Boyd, Chief Clerk/Executive Director;
Jo Anne Wessinger Hill, General Counsel; Sharon P. Besley and
Sandra V. Moser, Staff Attorneys, Legal Staff; Norman
Scarborough, Ph.D., and John Powers, Technical Advisory
Staff; Jackie Thomas, Information Technology Staff; Melissa
Purvis, Livestream Technical Staff; Officer Joe Biggs; and Jo
Elizabeth M. Wheat, CVR-CM/M|GNSC, Court Reporter

APPEARANCES:

JASON A. RICHARDSON, ESQUIRE, and **JAMES H. JEFFRIES, IV, ESQUIRE**, legal representatives of/for **PIEDMONT NATURAL GAS COMPANY**, together with PRESENTERS **BRUCE P. BARKLEY [VP/Rates & Natural Gas Supply]**, **PIA K. POWERS [Managing Director/Gas Rates & Regulatory]**, and **SARAH E. STABLEY [Managing Director/Gas Supply Optimization & Pipeline Services]**

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I N D E X

	PAGE
<u>OPENING MATTERS</u>	3-7
 <u>PRESENTATION</u>	
<i>BRUCE P. BARKLEY</i>	7
<i>PIA K. POWERS</i>	9
<i>SARAH E. STABLEY</i>	13
<i>PIA K. POWERS</i>	17
<i>SARAH E. STABLEY</i>	21
<i>PIA K. POWERS</i>	23
<i>BRUCE P. BARKLEY</i>	26
<i>PIA K. POWERS</i>	27
<i>BRUCE P. BARKLEY</i>	28
Question(s)/Comment by Commissioner C. Williams.....	30
<u>CLOSING MATTERS</u>	31-32
<u>REPORTER'S CERTIFICATE</u>	33

Note: For identification of any additional referenced materials and/or links for same, please see correspondence to be filed by the the Office of Regulatory Staff/Designated Neutral.

Please note the following inclusions/attachments to the record:

- PNG's Presentation Slides (PDF)

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P R O C E E D I N G S

CHAIRMAN J. WILLIAMS: Good afternoon, ladies and gentlemen. It's Tuesday, December 7th, 2021; It's 2 p.m. We are here for an allowable ex parte briefing by Piedmont Natural Gas Company, Incorporated.

Present in the hearing room, we have Commissioners J. Williams, C. Williams, Belser, Caston, Powers, and Thomas. Joining us virtually, we have Commissioner Ervin.

Attorney Stark.

MR. STARK: Thank you, Mr. Chairman.

Mr. Chairman and other Commissioners, today, as you remarked, on Tuesday, December 7, 2021, we're here in the Commission's hearing room pursuant to a Notice of Request for Allowable Ex Parte Briefing from Piedmont Natural Gas Company, Incorporated, for a briefing as outlined in Commission Order No. 2021-693.

The subject matter noticed to be discussed at the briefing today relates to the cost of gas on natural gas prices and electric prices, and its impact on customers. Dominion shall – I apologize. Piedmont shall present information to the Commission at this allowable ex parte briefing on

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1 the following items: The overview of natural gas
2 rates and ratemaking in South Carolina; current
3 wholesale gas prices' trends and the cause of these
4 trends; impacts of gas price trends to purchased
5 gas adjustments – that's PGA – by customer group;
6 impacts of economic changes on rates via Rate
7 Stabilization Act, the RSA; gas cost for
8 electricity; commission actions in other
9 jurisdictions; customer impacts by increasing gas
10 prices; how the Public Service Commission and
11 utilities can help keep gas prices down and costs
12 down; and messaging rate changes

13 This briefing is not a hearing. The briefing
14 must be conducted in compliance with the provisions
15 of South Carolina Code Section 58-3-260(C), which,
16 in part, requires or confines the subject matter to
17 be discussed to each of the matters which was
18 noticed. Therefore, I ask that the presenters,
19 Commissioners, and Staff all please refrain from
20 discussing any matters not related to this specific
21 topic.

22 The statute prohibits any presenter,
23 Commissioners, or Commission Staff from requesting
24 or giving any commitment, predetermination, or
25 prediction regarding any Commissioner as to any

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1 ultimate or penultimate issue which either is or is
2 likely to come before the Commission.

3 I would ask the presenters, Commissioners, and
4 Staff refrain from referencing any report, article,
5 statute, or documents of any kind that are not
6 included in today's presentation. A copy of any
7 document which is referenced during the briefing
8 must be provided to ORS for inclusion in the
9 record, which will be certified to the Chief Clerk
10 of the Commission, Ms. Jocelyn Boyd.

11 If anyone, during the course of this briefing,
12 exceeds the scope or does not comply with or fails
13 to conduct themselves within the provisions of
14 South Carolina Code Section 58-3-260, it is
15 expected for a contemporaneous objection to be
16 made.

17 Finally, everyone in attendance today, in
18 person or virtually, must sign in or register.
19 Everyone in the hearing room or watching live
20 virtually must also read, sign, and return the form
21 which you were given at the door when you came in
22 today, or the form which will be e-mailed to you
23 for virtual appearance, which will include
24 instructions and the deadline for form return. It
25 is required by law for each attendee, whether

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1 attending virtually or in person, to certify that
2 the requirements contained in Section 58-3-260(C)
3 have been complied with at this presentation.

4 Thank you, Mr. Chairman. That concludes my
5 remarks.

6 **CHAIRMAN J. WILLIAMS:** Thank you, Attorney
7 Stark.

8 I would like to recognize counsel for the
9 Office of Regulatory Staff and for the company.
10 The company?

11 **MR. RICHARDSON:** Thank you, Commissioner, Vice
12 Commissioner, members of the Commission. My name
13 is Jason Richardson. I'm here representing
14 Piedmont Natural Gas today, and we appreciate the
15 opportunity to come here and educate the
16 Commission.

17 Today, presenting on behalf of the company,
18 is: Mr. Bruce Barkley; he's the Vice President of
19 Rates & Natural Gas Supply. Ms. Pia Powers; she's
20 the Managing Director of Gas Rates & Regulatory.
21 And Ms. Sarah Stabley, who is the Managing
22 Director – [EI] – Managing Director, Gas Supply
23 Optimization & Pipeline Services.

24 I'll now turn it over to Mr. Barkley.

25 **CHAIRMAN J. WILLIAMS:** Before you begin, Mr.

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1 Barkley. Office of Regulatory Staff? Thank you,
2 Attorney Richardson.

3 **MR. RHANEY:** Good afternoon, Chairman
4 Williams, Vice Chair Belser, and Commissioner. My
5 name is Donna Rhaney, counsel for Office of
6 Regulatory Staff, and today I will be serving as
7 the designee for the Executive Director of ORS.

8 **CHAIRMAN J. WILLIAMS:** All right. Thank you
9 Attorney Rhaney.

10 If there's a hot mic, if you would, please,
11 mute your microphones? For some reason or another,
12 I'm hearing a telephone ringing. All right, it's
13 stopped.

14 Mr. Barkley.

15 **MR. BRUCE P. BARKLEY [PNG]:** Good afternoon,
16 Chairman Williams, Vice Chair Belser, members of
17 the Commission. I will echo what Mr. Richardson
18 said. We do appreciate the opportunity to come
19 down and speak with you-all, the invitation you
20 extended us today to come and appear before the
21 South Carolina Commission.

22 I am joined, on my right, by Pia Powers, who
23 will be handling rates matters, and by Sarah
24 Stabley, on my left, who will be addressing gas
25 supply matters.

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1 I'll just cover a couple of brief things up
2 front and then turn it over to Pia shortly.

3 [Reference: PNG Presentation Slides 1-2]

4 So, the topics, Mr. Stark read the topics that
5 you're very familiar with, the reason that we're
6 here today, so we have those listed. And we will
7 do our very best to stick to these topics and move
8 forward.

9 [Reference: PNG Presentation Slide 3]

10 Briefly, about Piedmont Natural Gas: We have
11 a long history in the State of South Carolina.
12 Piedmont was actually formed in South Carolina, and
13 we've been providing service here since natural gas
14 came to this part of the country in the 1950s.

15 We have about 155,000 customers, located
16 principally along that I-85 corridor that includes
17 Anderson, Greenville, Spartanburg, and Cherokee
18 Counties. We have about \$200 million in annual
19 revenues. And our rate base here in the State of
20 South Carolina is approximately \$480 million. We
21 have about 4,000 miles of natural gas pipe in the
22 State.

23 So, with that intro to Piedmont and our team
24 here, I will hand it over to Pia Powers to discuss
25 some rates and regulatory matters.

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1 MS. PIA K. POWERS [PNG]: Thank you, Mr.
2 Barkley – [indicating]. Thank you. I echo what my
3 colleague Bruce just mentioned. I appreciate this
4 opportunity to come and speak with you-all today.

5 [Reference: PNG Presentation Slides 4-5]

6 So a good starting point for this presentation
7 is to keep in mind the two main types of gas
8 service that Piedmont provides to its customers,
9 and those two main types are sales service or
10 transportation service. So, every Piedmont
11 customer is served under one of these two general
12 types of service.

13 For sales service, Piedmont purchases natural
14 gas and delivers it from the purchase point
15 location, which is typically located upstream of
16 Piedmont's city gate, and then we deliver into and
17 across Piedmont's system to, ultimately, the
18 customer's meter. In contrast, for transportation
19 service, the customer or its agent purchases
20 natural gas and arranges for its delivery to
21 Piedmont's city gate. Piedmont then transports
22 that gas across its system to the customer's meter.

23 Transportation service is only available to
24 Piedmont's large-general-service-eligible
25 customers. Less than one-tenth of a percent of

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Piedmont's customer base receives transportation service. However, this customer class accounts for the majority of natural gas that is used. Out of the 67 million dekatherms of natural gas used annually by Piedmont's customers, transportation customers account for approximately 78 percent of it. And within the sales service category, residential customers are aggregately the largest using class, followed by the small general service and then the large general service classes

[Reference: PNG Presentation Slide 6]

The components of Piedmont rates differ between sales and transportation service in one significant regard, and that is the commodity cost of gas. Piedmont's transportation customers presumably are incurring charges for the commodity cost of gas that they use. Those charges would be billed to transportation customers by a third party, not by Piedmont Natural Gas, given the nature; that is, a transportation service.

The other two main rate components are the demand cost of gas and the component for Piedmont's cost of service. The latter rate component is commonly referred to Piedmont's margin rates.

So the cost of gas, whether commodity or

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1 demand, is a pass-through cost. Piedmont incurs
2 these costs and they are passed through to
3 customers on a dollar-for-dollar basis, pursuant to
4 Commission orders and the Gas Cost Recovery
5 Mechanism – GCRM, for short – which is part of
6 Piedmont’s approved South Carolina tariff. The
7 rate components for Piedmont’s cost of service,
8 that is established in a general rate case or in
9 the RSA proceeding.

10 [Reference: PNG Presentation Slide 7]

11 The balance in the Gas Cost Deferred Account
12 reflects the cumulative difference between the
13 actual gas costs incurred by Piedmont to serve its
14 customers and the actual amounts recovered in
15 rates. Each month, and sometimes more frequently
16 than that, Piedmont reviews its Gas Cost Deferred
17 Account balances and projects that current balance
18 out several months based on several factors, most
19 notably the prevailing NYMEX futures settlement
20 prices. It is through that lens that Piedmont
21 evaluates the potential impact of the projected
22 deferred account balance of modifying versus not
23 modifying the commodity cost-of-gas component of
24 its rates. This monthly deferred account analysis
25 informs the company’s decision around filing a

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1 request with this Commission to adjust the
2 company's billing rate component for the commodity
3 cost of gas.

4 The demand cost-of-gas rate component is
5 changed annually to align with the current annual
6 cost level. This rate update has taken effect each
7 November 1st for Piedmont for several years now.
8 And regarding Piedmont's base margin rates, to date
9 there have been 17 annual rate adjustments under
10 the RSA mechanism since Piedmont began operating
11 under it in 2005.

12 I cover this in a bit more detail later in the
13 presentation, but for now I'll close on this slide
14 by sharing that Piedmont's last general rate case
15 before this Commission was in 2005 and its next
16 general rate case will be filed on or before April
17 1, 2022, and that timing is pursuant to the terms
18 of the approved settlement agreement in Docket No.
19 2019-7-G.

20 I'm going to turn it to my colleague Sarah
21 right now.

22 **MS. SARAH E. STABLEY [PNG]:** Hi. I'm Sarah
23 Stabley. Can you hear me okay?

24 **COURT REPORTER:** No.

25 **MS. SARAH E. STABLEY [PNG]:** [Indicating.] Is

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1 that better?

2 **COURT REPORTER:** Yes.

3 **MS. SARAH E. STABLEY [PNG]:** Okay, very good.
4 Thank you.

5 [Reference: PNG Presentation Slides 8-9]

6 So for this first slide, here, I wanted to
7 show the Henry Hub natural gas prices, the
8 historical settlement prices. So this is the price
9 history of natural gas. And it's a little bit hard
10 to see on the screen, but it starts in December of
11 2018 and goes through December of 2021.

12 In December of '18, it was a high of about
13 \$4.75 and from there it trickled down to about
14 \$1.50 in July of '20, and from there it trickled up
15 to a high of about \$6.25 in November of '21.

16 On the next slide, I will review some of the
17 reasons for the recent supply run-up –

18 [Reference: PNG Presentation Slide 10]

19 – the first of which is Hurricane Ida in
20 August of 2021. Hurricane Ida came up through the
21 Gulf of Mexico and knocked off significance amounts
22 of production in the Gulf of Mexico and caused gas
23 prices to start increasing.

24 Number two is increased European and Asian
25 market demand for LNG. The European natural gas

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1 benchmark and the Japan/Korea Marker hit an all-
2 time high in October of 2021. International prices
3 have come off since then; however, they remain
4 several times higher than the U.S. natural gas
5 prices.

6 Number three is concern over a colder-than-
7 normal winter. In my opinion, people are still a
8 little bit skittish about the price blowouts from
9 Winter Storm Uri back in February of '21 [EI] which
10 caused rolling blackouts in Texas. Currently, NOAA
11 is forecasting for a warmer-than-normal winter for
12 much of the U.S.; however, even with an overall
13 warmer-than-normal winter, there can still be price
14 spikes if we get an arctic blast or a polar vortex
15 that comes through and affects the natural gas
16 production and/or market areas.

17 Number four is low storage levels and tight
18 natural gas supplies worldwide. Gas supplies
19 worldwide have been and are forecasted to remain
20 tight. In the U.S., storage levels have been
21 consistently below the five-year average since
22 around June of '21. Recently, prices have come
23 down as the U.S. storage levels have approached the
24 five-year average. The U.S. storage deficit during
25 the summer has been steadily decreasing and storage

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1 levels are much closer to the five-year average
2 now.

3 With U.S. storage levels very close to the
4 five-year average, the U.S. has sufficient storage
5 for this coming winter; however, international
6 supplies remain tight, especially in Asia and
7 Europe.

8 Number five is flat production levels.
9 Historically, anytime there was an upward pressure
10 on prices, producers have responded by increasing
11 production. However, with the [EI] recent increase
12 in pricing, my understanding is that producers have
13 kept their production levels relatively flat,
14 choosing to boost shareholder returns rather than
15 increase their capex programs. Industry analysts
16 show the natural gas futures market is overpriced
17 relative to market fundamentals and, thus, the
18 forecast is that current high prices will be
19 temporary unless the weather is significantly
20 colder than normal this winter.

21 And last is a strong domestic demand.
22 Domestic demand started increasing back in 2020 and
23 has held strong. So with the lack of additional
24 production coming on-line, prices have continued to
25 rise.

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12/7/21

[Reference: PNG Presentation Slide 11]

On this next slide here, you will see a chart of the natural gas futures prices from January of '22 through December of '24. In the previous slide, we saw a steady climb up to November of '21, then a decline in prices which continued on this slide to go down through the winter. We could still see natural gas prices hit a temporary high if weather comes in colder than normal; and as stated before, NOAA is forecasting for a warmer-than-normal winter and for prices to continue to decline over the next number of years, as you can see on the futures settlements.

So how does Piedmont – [indicating]. I'm sorry. I'll turn it back over to Pia.

MS. PIA K. POWERS [PNG]: Thank you, Sarah.

[Reference: PNG Presentation Slides 12-13]

So, on this slide – well, I'll start off by sharing that NYMEX settlement prices are constantly changing. Ms. Stabley indicated on her slide how the price high in the last three years was \$6.20 and that was hit in November 2021, and that the three-year low was \$1.49 in July of 2020. As indicated on my slide, here, Piedmont made seven changes to its commodity cost-of-gas rate over this

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1 same period. The changes to Piedmont's commodity
2 cost-of-gas rates are much less frequent than the
3 prices changing in the market.

4 So Piedmont targets keeping its Gas Cost
5 Deferred Account balance within a reasonable target
6 range near neutral, meaning that the balance is –
7 we seek to have it neither be significantly under-
8 or overcollected. And doing so typically does not
9 necessitate adjusting the commodity cost-of-gas
10 rate to chase every high and low for the NYMEX
11 settlement price. Rather, Piedmont takes a more
12 deliberate, less volatile rates adjustment approach
13 to keeping the Gas Cost Deferred Account balance
14 within reason. Note that between – on this slide,
15 you'll see that between January 2020 and July 2021,
16 we kept our commodity cost-of-gas rates stable at
17 \$2 per dekatherm. Only in recent months was an
18 increase to that commodity cost-of-gas rate
19 warranted, and the current commodity cost-of-gas
20 rate which took effect in October of this year, as
21 approved by this Commission, is \$4.50 per
22 dekatherm.

23 So, combined, what you're seeing on this slide
24 is a \$2.50 per dekatherm increase to the customer's
25 rate in order to properly recover these pass-

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1 through gas costs.

2 Now, recall earlier that I shared with you
3 that the sales service represents about 22 percent
4 of the current annual load for the company at 67
5 million dekatherms. So 22 percent of 67 million
6 dekatherms is just shy of 15 million dekatherms. I
7 did the math before; 14.74 million dekatherms. So
8 when you pair that sales usage annually of
9 14.7 million dekatherms, you pair it with a \$2.50
10 per dekatherm commodity cost-of-gas rate increase,
11 that total impact amounts to approximately \$37
12 million.

13 So on the next slide now, we're going to turn
14 and look at that impact by customer group.

15 [Reference: PNG Presentation Slide 14]

16 Natural gas usage varies by customer;
17 nevertheless, we can represent that the average
18 Piedmont residential customer in South Carolina
19 uses, at this time, approximately 57 dekatherms of
20 natural gas a year.

21 So under present rates but with the exception
22 of modifying the commodity cost-of-gas rate
23 component back to the \$2 per dekatherm, the average
24 residential customer's annual Piedmont bill was
25 about \$620. Now, when you look at that same annual

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12/7/21

usage, pairing it with the full present rates and include the \$4.50 per dekatherm commodity rate, the annual bill is \$763, so that's an increase of \$143 a year, or 23 percent, for the average residential customer. That same comparison of an average small general service customer yields a difference of \$784 annually, or a 29 percent increase.

Now, there really isn't an average or typical large general service customer. From a usage profile perspective, this is a relatively diverse customer class. The minimum daily usage to be eligible for large general service is 50 dekatherms a day. The example on my chart here shows a bill comparison using 70 dekatherms a day, and that's what amounts to annual usage of 25,550 dekatherms. This is a pretty relevant and fair usage level to model here. So, under that usage profile, a large general service customer would consume, as I indicated, 25,550 dekatherms a year. Their annual bill increase would be \$65,000, or 57 percent, as a result of this \$2.50 per dekatherm commodity rate increase.

[Reference: PNG Presentation Slides 15-16]

All right. Now, let's turn to the RSA, and we're going to – which focuses on the impact from

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1 the change in Piedmont's cost of service rather
2 than the impact from the pass-through gas costs.

3 The impact of the RSA has varied each of the
4 years during the 17-year run that Piedmont has had
5 under this mechanism. There have been rate
6 increases arising from the adjustments to the
7 margin revenue and, in some years, there have been
8 rate decreases. The year-over-year change in
9 Piedmont's base rate, the most significant driver
10 of that change – excuse me. The year-over-year
11 change in Piedmont's rate base has been the most
12 significant driver of those margin changes that
13 come out of the RSA proceeding that occurred in
14 most years. Piedmont's rate base increased 146
15 percent over the 17-year period, and that most
16 notably occurred in the period of time after 2012.

17 Let's stay on there a second.

18 **MR. BRUCE P. BARKLEY [PNG]:** [Indicating.]

19 **MS. PIA K. POWERS [PNG]:** So, the investments
20 that we made, what you're seeing in that rate-base
21 trend, I mean, we – the company needed to provide
22 they supported the company's continued provision of
23 safe and reliable natural gas service to our South
24 Carolina customers in this record growth period.

25 As you can see, our customer count grew

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12/7/21

1 significantly there, and that's largely from
2 customer additions and growth in this State.

3 So, the impact of the RSA to our customers is
4 gradual, and note that at the bottom of the table
5 on this slide that the cumulative impact of the
6 operation of the RSA over these 17 years is an
7 increase of \$21.3 million. So, again, 17 years
8 amounted to a \$21.3 million increase in rates. And
9 this is significantly less than the increase we
10 discussed a slide or two back, where there was a
11 \$37 million increase in the four-month period
12 associated – the four-month period from July 2021
13 to October '21, related to customers having to bear
14 that \$2.50 per dekatherm increase in the pass-
15 through commodity gas costs.

16 Go to the next slide.

17 **MR. BRUCE P. BARKLEY [PNG]:** [Indicating.]

18 [Reference: PNG Presentation Slides 17-18]

19 **MS. PIA K. POWERS [PNG]:** Okay. Sarah, you're
20 up now. Thank you

21 **MS. SARAH E. STABLEY [PNG]:** Okay. So what
22 does Piedmont do to mitigate price impacts?
23 Utilizes storage to minimize daily supply purchases
24 when prices spike.

25 One of the tools in Piedmont's toolbox is to

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1 utilize storage when possible, based on system
2 operation needs, to call on supplies from storages
3 in lieu of calling on and purchasing high-priced
4 natural gas supplies.

5 The second is that, on any given day that is
6 not a design day – in other words, when we are not
7 hitting our highest forecasted demand for our
8 system – Piedmont has unused transportation, which
9 Piedmont seeks to call on the lowest-cost delivered
10 supplies first.

11 Third, Piedmont retains the contractual right
12 to call on daily gas supplies at a first-of-the-
13 month index or at a daily index price. All of our
14 winter supplies are contracted ahead of time at a
15 first-of-the-month or monthly index, or at a daily
16 index.

17 Fourth, Piedmont maintains a diverse supply
18 and capacity portfolio. We have the ability to
19 call on offshore supplies from the Gulf of Mexico
20 and onshore supplies from the Southeast, Northeast,
21 and Midcontinent. By having a diverse supply and
22 capacity portfolio, Piedmont is able to take
23 advantage of lower-price supplies on a daily basis,
24 as it calls on supplies economically.

25 Lastly, Piedmont has its approved Hedging

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1 Plan, which allows Piedmont to hedge up to 45
2 percent of our customers' normalized sales volumes,
3 utilizing NYMEX call options for up to 12 months
4 out. This Hedging Plan allows Piedmont to procure
5 what it deems as a low-cost insurance policy
6 against temporary price buy-outs.

7 MS. PIA K. POWERS [PNG]: I'm going to speak
8 on this slide to –

9 VICE CHAIR BELSER: Mic.

10 MS. PIA K. POWERS [PNG]: [Indicating.] Thank
11 you. I'm going to speak on this slide to how
12 Piedmont mitigates the price impact through other
13 means.

14 [Reference: PNG Presentation Slide 19]

15 Firstly, it's the operation of the Gas Cost
16 Recovery Mechanism. So the timing of our commodity
17 cost rate request has, ultimately, a smoothing
18 effect to customers and avoids unnecessary
19 volatility in customer rates. Also, that GCRM
20 mechanism is not prescriptive, absolutely requiring
21 a rate change with – at specific intervals.
22 Rather, it's formulaic where we can look at its
23 effect and propose it when we believe it's
24 warranted and to the degree the Commission accepts
25 that justification in our filing. So the operation

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1 of the Gas Cost Recovery Mechanism is one
2 significant mitigant to price impacts to customers.

3 Another, on the next slide –

4 [Reference: PNG Presentation Slide 20]

5 – would be Piedmont’s control of operation-
6 and-maintenance expenses. So, operation-and-
7 maintenance expense, ultimately, is one influencing
8 factor, in our Rate Stabilization Act adjustments
9 or in a general rate case, to our margin revenues.
10 And Piedmont’s O&M expense has been relatively flat
11 since 2016, and that is despite significant upward
12 pressure from inflation, as well as customer growth
13 over this period.

14 Another matter is that Piedmont helps its
15 customers access sources of financial assistance
16 for bills. Not only is that good for individual
17 customers but there’s also an effect of that to
18 reducing the company’s bad debt expense. Bad debt
19 expense is a portion of our O&M expense.

20 And, lastly, as indicated on the slide,
21 Piedmont does offer an equal payment plan billing
22 option for customers. Sometimes other utilities or
23 states refer to that as “budget billing,” but that
24 is a means for the customer to be able to not have
25 the higher bills in winter that they would

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12/7/21

ordinarily otherwise have. The equal payment plan allows customers to smooth that out over the year with equal payment amounts over their annual bill across the course of the year.

And lastly –

[Reference: PNG Presentation Slide 21]

– one of the topics that you asked us to speak to today was also how the Commission mitigates price impacts. And in my thoughts around this, I simply go back to this Commission's regulations and oversight do have a very helpful impact in this regard. The Gas Cost Recovery Mechanism, as approved by this Commission, is very effective in allowing us to manage our Gas Cost Deferred Account balances, and I spoke to, earlier, that is an influencing factor so that we don't have to have such volatility in our rates.

The annual review by this Commission of Piedmont's Purchased Gas Adjustment and Gas Purchasing Policies ensures that you find that our costs have been prudent and consistent with the law in this State and the operation of the GCRM.

And, lastly, the annual review of the company's costs and revenues under the RSA allow this Commission to also determine the prudence of

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12/7/21

1 all of our costs that underlie – that under- – that
2 support our margin rates. The Gas Cost Recovery
3 Mechanism and our annual gas cost review in this
4 State is largely consistent with the operation of
5 PGA clauses in other jurisdictions, and I'm not
6 aware – nor are my colleagues – of actions by other
7 commissions to address recent gas commodity price
8 impacts.

9 MR. BRUCE P. BARKLEY [PNG]: And I'll tag on
10 here, before we move to our last couple of slides,
11 is that the – just to repeat what Ms. Powers said –
12 the rate stabilization adjustment is fairly unique
13 to the State of South Carolina. We don't see that
14 everywhere. And by coming in every year and
15 refreshing costs for our investment, for our
16 operating expenses, you do get a more gradual
17 change in rates, as was shown on a prior slide.

18 We don't control the natural gas market. We
19 operate within the market. The slides that Ms.
20 Stabley had are not under Piedmont's control. Many
21 things, though, are under our control, and I think
22 it's very advantageous from a customer and a
23 company perspective to refresh annually under the
24 rate stabilization adjustment as opposed to an
25 intermittent rate case every five years, every four

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1 years, whatever the cycle may be, when you're not
2 changing and then you come in for a change that's
3 quite large and that can have an upsetting effect
4 to customers as opposed to a smoother route to get
5 there.

6 So we would note that as something that we
7 believe that this General Assembly and this
8 Commission has done that's good for customers in
9 terms of a smoothing effect on rates.

10 And I think you were going to move on next to
11 the messaging efforts that we've made this fall,
12 associated with these higher gas costs.

13 **MS. PIA K. POWERS [PNG]:** Thank you.

14 [Reference: PNG Presentation Slides 22-23]

15 So, Piedmont – well, I'll just remind that
16 customers, especially residential customers, would,
17 due to their use of natural gas for space-heating
18 purposes, generally do face higher bills each
19 winter. It's just a matter of their natural gas
20 usage being higher in the winter period than it is
21 in other times of the year. So, the recent gas
22 price increases have just simply further
23 exacerbated that summer-winter differential for our
24 customers and their bills.

25 So Piedmont has significantly focused on

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12/7/21

1 messaging to the customers for this upcoming winter
2 season, in order to prepare our customers and help
3 them. The content of that messaging is around what
4 is impacting the customer bills, so an explanation
5 of it; energy savings tips; bills' reference and
6 information that would have our customers be able
7 to access bill assistance programs; as well as
8 encouraging their enrollment into the equal payment
9 plan.

10 So we've used various communication channels
11 for this messaging, which I list on this slide,
12 including news release and media interviews, web
13 content on the company's website, social media
14 content, radio and digital advertising, direct
15 e-mails, also modifying our call-center interactive
16 voice-response system, and messaging from call-
17 center representatives when they are speaking live
18 to customers. Lastly, deliberate, focused e-mails
19 on the equal payment plan, itself, to drive
20 enrollment to that program, which is optional but
21 we believe generally very beneficial and helpful to
22 customers for managing their bills.

23 [Reference: PNG Presentation Slide 24]

24 **MR. BRUCE P. BARKLEY [PNG]:** And last topic
25 that was included in this allowable ex parte

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1 presentation concerned electric rate costs. And I
2 just wanted to give some very general comments
3 there, is that just – we were here earlier today
4 when Mr. Rooks went through a good bit of this for
5 Dominion South Carolina. They are organized
6 differently than we are. The panel here before you
7 works for Piedmont Natural Gas, exclusively, so we
8 don't have any insight to the fuel procurement or
9 the ratemaking for either Duke Energy Carolinas or
10 Duke Energy Progress. Those are separate entities.
11 They perform their own rate function and their own
12 procurement of natural gas and other fuels that are
13 used to generate electricity.

14 So, just very broadly, from just general
15 discussions and looking at the most recent electric
16 case involving one of those two affiliates, Duke
17 Energy Carolinas being later in the year than is
18 the proceeding for Duke Energy Progress, it looked
19 like there was about a 3 percent increase in
20 residential customer bills as a result of rising
21 fuel prices. I think, to some degree, natural gas
22 drove a portion of that – not exclusively natural
23 gas – but that was sort of the take-away and the
24 feel from the 2021 Duke Energy Carolinas fuel
25 proceeding, was roughly a 3 percent increase. They

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Allowable Ex Parte Briefing

12/7/21

1 experience some of the same market factors that Ms.
2 Stabley explained previously in our presentation.

3 That's really all the detail that I have to
4 offer over on the electric side, for today. I
5 think that brings us to the end of our prepared
6 remarks. Again, thanks for having us down, and
7 we'll certainly take any questions that you-all
8 have.

9 **CHAIRMAN J. WILLIAMS:** Thank you very much for
10 being here, panelists.

11 Questions from the Commission. Commissioner
12 Williams.

13 **COMMISSIONER C. WILLIAMS:** Thank you, Chairman
14 Williams.

15 You're going to have to remind me who talked
16 about hedging, but can you talk more about how that
17 worked for – that is working for Piedmont, how
18 successful that is? Just give us a little more
19 information?

20 **MS. SARAH E. STABLEY [PNG]:** Yeah, so, it is a
21 low-cost insurance policy. So it's not meant to
22 gain in the market or necessarily lose in the
23 market, but it could go either way, depending on
24 where gas prices go and where we have actually
25 hedged. So I do not have where we actually hedged

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12/7/21

1 with me today, but we do view that as a low-cost
2 insurance policy.

3 **MR. BRUCE P. BARKLEY [PNG]:** And certainly to
4 tag on there, the hedges that we placed for the
5 fall of 2021 were, with the prices rising, were
6 advantageous for customers directionally. I'm like
7 Sarah; I don't have the specific dollar amount.
8 But directionally, those were advantageous for
9 customers. And, again, we've employed this
10 strategy that she refers to as a low-cost
11 insurance – it's a cost that we incur on behalf of
12 customers. If the prices rise significantly, as
13 they have here, it's advantageous; if they don't,
14 then it's a very small cost that's been extended.
15 Like any insurance, it's not free.

16 **COMMISSIONER C. WILLIAMS:** Thank you. No
17 further questions.

18 **CHAIRMAN J. WILLIAMS:** Any more questions for
19 the panelists?

20 [No response]

21 All right. Anything from Attorney Richardson?

22 **MR. RICHARDSON:** No questions, Your Honor.

23 **CHAIRMAN J. WILLIAMS:** Attorney Rhaney.

24 **MS. RHANEY:** No questions.

25 **CHAIRMAN J. WILLIAMS:** All right. We have

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12/7/21

1 come to the end of this presentation. Thank you-
2 all for joining us. We are adjourned.

3 [WHEREUPON, at 2:37 p.m., the proceedings
4 in the above-entitled matter were
5 adjourned.]

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12/7/21

C E R T I F I C A T E

I, Jo Elizabeth M. Wheat, CVR-CM-GNSC, Notary Public in and for the State of South Carolina, do hereby certify that the foregoing is, to the best of my skill and ability, a true and correct transcript of all the proceedings had regarding a requested allowable ex parte briefing in the above-captioned matter before the PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA;

IN WITNESS WHEREOF, I have hereunto set my hand and seal, on this the 9th day of December, 2021.

Jo Elizabeth M. Wheat, CVR-CM/M|GNSC
Hearings Reporter - Public Service Commission
of South Carolina

Notary Public in/for the State of South Carolina
My Commission expires: January 12, 2031.